


Memorandum



Date: March 14, 2007

To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

From: George M. Burgess
County Manager 

Subject: Report on the Issuance of Bonds for Affordable Housing

EDHS
Agenda Item No. 4(A)

At the November 28, 2006 meeting of the Board of County Commissioners, the Board adopted Resolution R-1345-06, which requests that the Manager explore the issuance of Bonds to provide immediate revenues to address affordable housing needs for low income and very low income individuals through such activities as, but not limited to, a Rental Voucher Assistance Program and a Low-Income Housing Production program. In addition, the resolution identifies the use of General Funds and Documentary Surtax (Surtax) funds as a funding source to pay debt service the bonds issued to fund the capital costs associated with the development of an affordable housing and rental assistance voucher program. The following report is staff's analysis of the possible uses of bond proceeds in the effort to alleviate the affordable housing crisis and a voucher program.

BACKGROUND ON SURTAX

The Surtax was imposed in 1983 pursuant to Florida Statutes and is calculated at \$0.45 per \$100 of each commercial property transactions. Surtax funds are to be used to assist in the financing of construction, rehabilitation or purchase of housing for low-income and moderate-income families. However, Surtax statutes impose certain restrictions such as a prohibition of paying for rent subsidies or grants. Based on the input from the County Attorney's Office, the County can establish a rental assistance voucher program with annual general fund appropriations, but not through bond proceeds.

Surtax revenues are programmed through the annual RFA process and funding is allocated to assist developers in the development of both multi-family and single family units, as well as a source to give second mortgages to eligible homeownership

Surtax funds can be used to leverage bond proceeds as long as they are used towards construction, rehabilitation, or the purchase of housing for low-income and moderate-income families. The amount of the bond issuance will be a product of the strength of the revenue stream and will require intense analysis.

USE OF BONDS FOR HOUSING ACTIVITIES

In order to ensure that proceeds from future bond issuances are used correctly, the County Attorney has conferred with bond counsel on their use. More specifically, the County Attorney's Office researched whether the County could use Surtax-issued debt or General Obligation bonds for the purchase or construction of single family housing units and later sell the units to private individuals. Based on the discussions between the County Attorney's Office and bond counsel, the County may be able to issue taxable bonds for these activities. However, further analysis by bond counsel is needed to address State law issues which may result in a need for bond validation. Bond counsel is further looking into: 1) whether the sale of a single family unit below market is a subsidy; 2) whether funding of

the program with bond proceeds constitute a lending of credit; and 3) whether the County can hold property as inventory until sold.

Assuming the bond counsel agrees with the requested uses after further research, the bond proceeds could be used to construct or purchase existing housing stock for resale. The sale of these units would be used to replenish the fund, thus creating a revolving pool of housing funds to be used for the same purpose. An annual appropriation of Surtax funds of \$5 million for 20 years, with secondary pledge of annual budget to appropriate from available general funds, could generate a bond issue of approximately \$55 million.

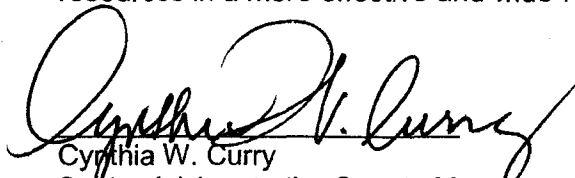
However, use of Surtax to pay for debt service can pose a financial constraint to the program since debt service is not contemplated in the five-year pro forma and most of the funds are projected to be allocated through the RFA process.

LOOKING TOWARDS THE FUTURE

Staff from MDHA and the Office of Capital Improvements has begun to review and look for ways to utilize the \$137.5 million in the 2004 Building Better Communities Bond Program for the construction and improvement of affordable housing for the elderly and working families. These proceeds will be used to fund activities that encourage home ownership through the acquisition, construction, and renovation of residential units.

It should be noted that a comprehensive affordable housing plan has been tasked to the Miami Dade Housing Agency Director. A Request for Qualifications (RFQ) is planned for release in the coming weeks to begin the process of developing this comprehensive plan. While staff recognizes the need to increase the dollars available to build affordable housing, it is recommended that it be done in a comprehensive manner and not through separate programs crafted with specific purposes.

Staff recommends that the bonding of Surtax be deferred until the comprehensive plan is developed. This will ensure that we develop a plan to address all our needs and maximize all County resources in a more effective and wide-ranging manner.



Cynthia W. Curry
Senior Advisor to the County Manager